

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 01091 01 OF 04 201837Z

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 INT-05 GSA-01 L-03 H-01

PA-01 PRS-01 /126 W

-----201906Z 118406 /43

R 201822Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9701

INFO AMEMBASSY LA PAZ

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY OTTAWA

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION USUN NEW YORK

USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 04 LONDON 01091

FOR: EB/ISM - MR. LENAHA

E.O. 11652: N/A

TAGS: EMIN

SUBJECT: TIN -- MARKET REVIEW AND OUTLOOK

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 01091 01 OF 04 201837Z

REFERENCE: (A) LONDON 0359 (B) STATE 10228

1. SUMMARY. THE INTERNATIONAL TIN COUNCIL'S (ITC) BUFFER STOCK MANAGER'S CONFIDENTIAL REPORT OF JANUARY 6, 1977 SUGGESTS THE OUTLOOK FOR TIN PRICES IS ONE OF CONTINUED PRESSURE. SINCE THAT REPORT, A NUMBER OF THINGS HAVE HAPPENED TO UNDERSCORE THE PROBLEMS FACING TIN.

THESE ARE:

LA) ON JANUARY 13 THE ITC ANNOUNCED THAT BUFFER STOCK SUPPLIES WERE EXHAUSTED.

(B) PRICES ON THE LME HAVE SPIRALLED, DESPITE A FIRMING TENDENCY IN STERLING.

(C) THE PENANG PRICE HAS CONTINUED FIRM, CLOSING CONSISTENTLY ABOVE THE NEW CEILING ADOPTED LAST DECEMBER, M\$1325 PER PIKUL.

(D) LME STOCKS HAVE CONTINUED TO DWINDLE.

(E) THE LME CONTANGO HAS DECLINED, WITH BACKWARD-ATION IN SOME QUOTATIONS.

(F) BOLIVIA HAS DEMONSTRATED BEYOND QUESTION ITS WILLINGNESS TO HOLD TO ITS NON-RATIFICATION POSITION, THEREBY PUTTING AT RISK THE FUTURE OF THE ITC.

THIS CABLE BRIEFLY REVIEWS THE MARKET SITUATION AND POINTS UP ISSUES FOR U.S. POLICY INVOLVING THE ITC AND GSA, PARTICULARLY AS REGARDS THE PROSPECT OF A REAL DEFICIT BETWEEN SUPPLY AND DEMAND THIS YEAR -- SOME SAY AT LEAST 15,000 TONS -- AND THE LONGER RUN PROBLEM OF INCREASING SUPPLY. END SUMMARY.

2. THE MARKET PLACE. TINCOUNCIL DOCUMENT NO. 43, ENTITLED, "REPORT ON THE TIN MARKET", WAS SUBMITTED BY THE BUFFER STOCK MANAGER TO THE 3RD SESSION OF THE COUNCIL, JANUARY 6-7, 1977. CONSIDERING SUCH FACTORS AS PRICES IN THE LME AND PENANG MARKETS, THE CONTANGO DECLINE, LME STOCKS, EXCHANGE RATES AND PHYSICAL DEMAND FOR TIN, THE REPORT NOTED A "CLEAR MARKET TREND", FROM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 01091 01 OF 04 201837Z

"STEADY" IN NOVEMBER TO "VERY FIRM" TOWARD THE END OF DECEMBER. WHILE CONCLUSIONS UNDER THE RUBRIC, "OUTLOOK OF THE TIN MARKET" WERE NOT PRECISELY STATED, THE IMPLICATION WAS CLEAR THAT AT LEAST IN THE BUFFER STOCK MANAGER'S OPINION, THE UNDERLYING TREND FOR TIN IS FOR A CONTINUED TIGHT MARKET, WITH A REAL RATHER THAN ONLY A STATISTICAL GAP BETWEEN SUPPLY AND DEMAND.

3. THE TABLE BELOW RECORDS PRICES ON THE LME AND THE PENANG MARKET IN POUNDS STERLING PER METRIC TON FOR THE FORMER AND MALAYSIAN RINGGIT PER PIKUL FOR THE LATTER:

TABLE I - PRICES ON THE LME AND PENANG MARKETS

DATE	LME(FOOTNOTE 1)	PENANG
1970 (AVERAGE)	1527	665
1971 (AVERAGE)	1443	632
1972 (AVERAGE)	1515	627
1973 (AVERAGE)	1940	684
1974 (AVERAGE)	3419	1137
1975 (AVERAGE)	3110	964

1976 MARCH (AVERAGE)	3618	1045
JUNE (AVERAGE)	4545	1172
SEPT. (AVERAGE)	4714	1178
DEC. (AVERAGE)	5135	1251
DEC. 1	5127	1265
DEC 15	5076	1248
DEC 31	5288	1318
1976 (AVERAGE)	4360	1147
1977 JAN. 5	5311	1324

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 01091 02 OF 04 201847Z

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 INT-05 GSA-01 L-03 H-01

PA-01 PRS-01 /126 W

-----201906Z 118465 /47

R 201822Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9702

INFO AMEMBASSY LA PAZ

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY OTTAWA

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION USUN NEW YORK

USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 04 LONDON 01091

DATE	LME	PENANG
1977 JAN. 6	5348	1327
JAN. 10	5373	1343

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 01091 02 OF 04 201847Z

JAN. 11	5303	1346
JAN. 12	5323	1326
JAN. 13	5369	1337
JAN. 14	5498	1400
JAN. 15	-	1385
JAN. 17	5583	1399
JAN. 18	5578	1420

FOOTNOTE: 1 - THREE MONTH FORWARD PRICE FOR STANDARD TIN

4. THESE DATA SUGGEST A NUMBER OF THINGS. THE FACT THAT THE LME 1976 AVERAGE WAS 40 PER CENT HIGHER THAN THE 1975 AVERAGE, WHILE THE PENANG PRICE INCREASED AT A MUCH SLOWER RATE, (19 PER CENT), SEEMS MOSTLY TO REFLECT THE WEAKENING POSITION OF STERLING IN TERMS OF MALAYSIAN RINGGIT (AND DOLLARS) DURING THE PERIOD. DURING JANUARY, A MONTH CHARACTERIZED SO FAR BY A STRENGTHENING OF STERLING, THE REVERSE IS TRUE. THE PENANG PRICE HAS INCREASED MORE RAPIDLY THAN THE LME PRICE.

5. THE DECEMBER 1, 1976 THROUGH JANUARY 18, 1977 DATA SHOW A PATTERN CLOSELY RELATED TO ITC MATTERS. THE DECEMBER PRICE CURVE WAS CONCAVE WITH THE LME LOW OF POUNDS 5058 AND THE PENANG LOW OF M\$1228 (DECEMBER 16 AND 17, RESPECTIVELY) REACHED SHORTLY AFTER THE ENDING OF THE 2ND SESSION OF THE COUNCIL. THIS SESSION SET NEW PRICE RANGES FROM M\$1075 TO M\$1325 PER PIKUL FOLLOWING THREE DAYS OF INTENSE DEBATE. THE PRICE ROSE DURING THE REMAINDER OF THE MONTH, TO RUPTURE THE NEW CEILING PRICE ON JANUARY 6, LESS THAN A MONTH AFTER ITS ESTABLISHMENT.

6. THE SECOND CRITICAL POINT OCCURRED JANUARY 14, THE FIRST FULL TRADING DAY AFTER ANNOUNCEMENT OF EXHAUSTION OF THE ITC BUFFER STOCK. THE LME PRICE JUMPED POUNDS 129 AND THE PENANG PRICE M\$63 -- 2.4 PER CENT AND 4.8

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 01091 02 OF 04 201847Z

PER CENT, RESPECTIVELY -- ONE DAY TO THE NEXT. BOTH MARKETS WERE AT EVEN HIGHER LEVELS BY JANUARY 18.

7. LME STOCKS. THIS PRICE RISE HAS BEEN ACCOMPANIED BY A DECLINE IN LME STOCKS, AS FOLLOWS:

TABLE II - LME STOCKS (METRIC TONS)

DATE	CHANGE	BALANCE
NOV. 27	---	6,380
DEC. 4	-290	6,090
DEC. 11	- 70	6,020
DEC. 18	-135	5,885
DEC. 24	-475	5,410
JAN. 1	- 60	5,350
JAN. 17	-880	4,470

THESE DRAW-DOWNS UNDOUBTEDLY REFLECT SALES FROM THE BUFFER STOCK, WHICH DECLINED FROM 1898 METRIC TONS SEPTEMBER 30 TO ZERO ON JANUARY 13, BUT NOT ALL BUFFER STOCK HOLDINGS WERE IN LME WAREHOUSES, SO SOME OTHER TIN WAS DRAWN DOWN AS WELL. ACCORDING TO MARKET SOURCES, LARGE-SCALE SOVIET PURCHASES HAVE BEEN A NOTABLE FEATURE OF LME OPERATIONS DURING THE PAST EIGHT MONTHS. THESE FIGURES PROBABLY REFLECT THOSE PURCHASES TO SOME EXTENT.

8. THE LME "CONTANGO". THERE IS A HYPOTHESIS OF AN DIRECTI.ET RELATIONSHIP BETWEEN THE LEVEL OF LME STOCKS AND THE SIZE OF THE LME CONTANGO (WHEN FORWARD PRICE IS HIGHER THAN THE CASH OR SPOT PRICE). THIS HOLDS THAT AT THE 3,000 TON LEVEL THE CASH PRICE AND THE FORWARD PRICE SHOULD BE EQUAL. BE THAT AS IT MAY, RECENTLY THE CONTANGO HAS NARROWED FROM POUNDS 178 ON NOVEMBER 26 TO POUNDS 15 ON JANUARY 14, TO CLOSE WITH A BACKWARDATION (FORWARD LOWER THAN CASH PRICE) OF POUNDS 10 ON JANUARY 18. A BACKWARDATION IS SAID TO DEMONSTRATE A PHYSICAL SHORTAGE OF TIN, WITH MORE PEOPLE WANTING PHYSICAL TIN "NOW" THAN "LATER". IN A STABLE PRICE SITUATION, THERE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 LONDON 01091 02 OF 04 201847Z

SHOULD BE A SMALL CONTANGO ROUGHLY EQUAL TO THE COST OF HOLDING TIN FOR THREE MONTHS. THE QUESTION IS WHETHER THE PRESENT BACKWARDATION IS A REFLECTION OF REAL CONDITIONS OR IS MISLEADING. IT SHOULD BE BORNE IN MIND THAT BACKWARDATION CAN BE FAVORABLE TO THE SPECULATOR SINCE HE CAN "LEND" (I.E. SELL) TIN TO THE MARKET, SIMULTANEOUSLY BUYING BACK HIS CONTRACT FOR FUTURE DELIVERY AT A LOWER PRICE: HE THEREBY GAINS A PROFIT WITHOUT LOSING CLAIM ON PHYSICAL TIN THREE MONTHS LATER.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 01091 03 OF 04 201904Z

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 INT-05 GSA-01 L-03 H-01

PA-01 PRS-01 /126 W

-----201906Z 118575 /43

R 201822Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9703

INFO AMEMBASSY LA PAZ

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY OTTAWA

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION USUN NEW YORK

USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 03 OF 04 LONDON 01091

9. HOW MUCH SPECULATION? "SPECULATION" IS A HIGHLY-COLORED WORD WHICH MUST BE USED CAUTIOUSLY. UNDOUBTEDLY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 01091 03 OF 04 201904Z

TODAY'S MARKET IS HIGHLY NERVOUS AND THEREFORE MORE SUSCEPTIBLE TO PSYCHOLOGICAL INFLUENCES THAN A FEW MONTHS AGO. WE KNOW OF NO EVIDENCE OF ATTEMPTS AT MARKET MANIPULATION, HOWEVER.

10. ONE VIEW IS THAT THE LME WAS A FAIRLY TAUT MARKET UNTIL ABOUT MID-DECEMBER AT WHICH TIME THE "SPECULATIVE ELEMENT" BECAME MORE PROMINENT BECAUSE OF A NUMBER OF FACTORS -- FAILURE OF GSA TO GET THE REQUESTED DISPOSAL AUTHORITY FOR 28,000 TONS, CONSEQUENT INCREASING AWARENESS OF THE LIKELIHOOD OF A SERIOUS TIN DEFICIT AND FOCUS ON THE ITC PRICE RANGE ISSUE.

IT IS INTERESTING THAT SOME LME "INSIDERS" EXPECTED EXHAUSTION OF THE BUFFER STOCK TO HAVE A TEMPORARILY BEARISH EFFECT AS A RESULT OF PROFIT-TAKING. THIS OBVIOUSLY HAS NOT HAPPENED BUT THE POSSIBILITY OF FAIRLY VIOLENT FLUCTUATIONS AROUND A GENERALLY BULLISH TREND LINE IS STILL A DISTINCT POSSIBILITY.

11. TIN DEFICIT -- STATISTICAL OR REAL? DATA PREPARED BY THE STATISTICAL COMMITTEE OF THE ITC INDICATE A "STATISTICAL" DEFICIT BETWEEN TIN SUPPLY AND TIN DEMAND DATING FROM THE FIRST QUARTER OF 1976 AND EXTENDING THROUGH AT LEAST THE FIRST TWO QUARTERS OF 1977, TOTALLING 28 THOUSAND TONS FOR THE FIRST 18 MONTH PERIOD. THIS IS ILLUSTRATED IN THE FOLLOWING TABLE, BASED ON ITC DATA ON HAND ON JANUARY 12:

TABLE III - TIN POSITION SUMMARY (THOUSAND METRIC TONS)

	1975	1976	1977					
	YEAR	YEAR	I	II	III	IV		
PRODUCTION			175	178	44	46	-	-
PRC EXPORTS			15	6	1	1	-	-
AVAILABILITIES			190	184	45	47	-	-
LESS:								
CONSUMPTION			174	192	49	49	-	-
SOVIET IMPORTS			10	10	2	2	-	-
LIMITED OFFICIAL USE								

LIMITED OFFICIAL USE

PAGE 03 LONDON 01091 03 OF 04 201904Z

DISAPPEARANCES	184	202	51	51	-	-
DIFFERENCES	PLUS 6	-18	-6	-4	?	?

12. THE DEFICIT IN 1976 WAS MORE THAN EQUALLED BY THE COMBINATION OF BUFFER STOCK SALES AND GSA DISPOSALS, PERHAPS SOME 23 THOUSAND TONS IN TOTAL. DATA IN TABLE III ARE ADMITTEDLY INEXACT; HOWEVER, ON ASSUMPTION THAT THEY AT LEAST ACCURATELY REFLECT TRENDS, THE DISTURBING FEATURE REGARDING 1977 PROJECTIONS IS THAT AT THE MOMENT THERE IS NO BUFFER STOCK TIN ON HAND AND GSA HAS VERY LITTLE TIN WHICH IT IS AUTHORIZED TO DISPOSE OF. SOME MARKET SOURCES ESTIMATE THE SIZE OF THE "REAL" AS

DISTINGUISHED FROM "STATISTICAL" 1977 DEFICIT WILL BE AT LEAST 15,000 TONS, WITH NO TIN ON HAND TO MEET IT. WHILE THIS CONCEIVABLY COULD BE MET FROM COMMERCIAL AND NON-COMMERCIAL STOCKS OTHER THAN GSA STOCKS, WORLD STOCKS APPEAR LOW. THE ABOVE FACTORS, OF COURSE, IMPLY HIGH PRICES, AT LEAST UNTIL GSA IS ABLE TO RESUME DISPOSALS.

13. POLICY CONSIDERATIONS. AGAINST THIS MARKET BACKGROUND, THE U.S. WILL BE FACED WITH A NUMBER OF POLICY ISSUES IN COMING WEEKS, INCLUDING THE FOLLOWING:
(A) ITC PRICE RANGES. BOLIVIA'S REFUSAL TO RATIFY THE AGREEMENT WAS BASED IMPORTANTLY UPON ITS DISSATISFACTION WITH THE PRICE RANGES ADOPTED IN DECEMBER. BOLIVIA'S POSITION, OF COURSE, PLACES IN QUESTION WHETHER THE NEW AGREEMENT WILL DEFINITELY ENTER INTO FORCE ON JULY 1. IT MAY BE ARGUED THAT MARKET EVENTS SINCE DECEMBER HAVE PROVED THE INADEQUACY OF THE DECEMBER RANGE AND HAVE INJECTED AN ABNORMAL ELEMENT WHICH REQUIRES EMERGENCY ACTION -- ADJUSTMENT SOONER RATHER THAN LATER. THE PRESENT DISPOSITION OF CONSUMERS AND POSSIBLY A NUMBER OF PRODUCERS, HOWEVER, SEEMS TO BE TO "RESIST BOLIVIAN BLACKMAIL" AND HOLD TO THE UNDERSTANDING REACHED AT THE DECEMBER MEETING NOT TO RAISE THE ISSUE AT THE SPRING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 LONDON 01091 03 OF 04 201904Z

COUNCIL MEETING. ON BALANCE, WE THINK IT IS POSSIBLE TO DEFER CONFRONTATION ON PRICES PAST THE MARCH 1 - 3 SESSION OF THE COUNCIL, AND PERHAPS FOR AS LONG AS JULY OR OCTOBER. FROM A MARKET VIEWPOINT, DEFERRAL UNTIL SUMMER WOULD SEEM DESIRABLE, SINCE CONFRONTATION ON PRICES WOULD ADD TO MARKET NERVOUSNESS. ASSUMING THE AGREEMENT DOES ENTER-INTO-FORCE (OR SOME EXPEDIENT IS FOUND) AND PRICES REMAIN FIRM, PRESSURE FOR REVISION

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 01091 04 OF 04 201853Z
ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 AID-05
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 INT-05 GSA-01 L-03 H-01
PA-01 PRS-01 /126 W

-----201907Z 118494 /43

R 201822Z JAN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9704
INFO AMEMBASSY LA PAZ
AMEMBASSY JAKARTA
AMEMBASSY LAGOS
AMEMBASSY KINSHASA
AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY KUALA LUMPUR
AMEMBASSY OTTAWA
USMISSION GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMEMBASSY TOKYO
AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
USMISSION USUN NEW YORK
USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 04 OF 04 LONDON 01091

SHORTLY AFTER JULY 1 WILL GROW. THE U.S. DOUBTLESS
WOULD NOT BE ABLE TO BLOCK SUCH A MOVE. THE IMPORTANT
THING SEEMS TO BE FOR THE U.S. TO MAINTAIN FLEXIBILITY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 01091 04 OF 04 201853Z

IN MARCH IN ORDER TO PARTICIPATE MORE EFFECTIVELY IN
SEEKING FACESAVING SOLUTIONS. WITH HIGH PRICES, BOLIVIA
MIGHT LOSE POLITICAL LEVERAGE, BUT SHOULD SUFFER NO
ECONOMIC LOSS IN DEFERRING THE ISSUE. TO THE CONTRARY,
THE POSSIBILITY OF SETTING OFF SHORT-TERM MARKET
FLUCTUATIONS DOES POSE THE POSSIBILITY OF LOSS FOR
PRODUCERS.

(B) CONSUMER CONTRIBUTIONS TO THE BUFFER STOCK. ANOTHER
BOLIVIAN COMPLAINT, SHARED GENERALLY BY PRODUCERS AND BY
SOME CONSUMERS, IS THAT CONSUMERS SHOULD SHOULDER PART
OF THE BURDEN OF BUFFER STOCK FINANCING. A NUMBER OF
CONSUMERS HAVE ALREADY PLEDGED VOLUNTARY CONTRIBUTIONS.
THE PRESSURE IS CONTINUALLY ON THE U.S. TO DO THE SAME.

CONSUMERS, PARTICULARLY, CAN BE EXPECTED TO STEP UP EFFORTS TO INDUCE THE U.S. TO CONTRIBUTE -- IN TIN METAL RATHER THAN CASH -- IN VIEW OF THE EXHAUSTION OF THE ITC'S STOCK OF TIN METAL. THE ARGUMENT WILL BE MADE THAT U.S. EFFECTIVENESS WITHIN THE ORGANIZATION WOULD BE ENHANCED BY MAKING A CONTRIBUTION.

(C) GSA DISPOSALS. A TRADE ADVISOR TO ANOTHER CONSUMER DELEGATION RECENTLY CONFIDED THAT TRADERS WERE NOT LOOKING TO "TRADITIONAL" PRODUCERS BUT TO THE "ONLY REMAINING PRACTICAL PRODUCER -- THE GSA" TO SOLVE PRESENT PROBLEMS. IT SEEMS EVIDENT THAT THE GSA IS THE ONLY FEASIBLE SOURCE OF INCREASED TIN SUPPLY IN THE SHORT-RUN. TO THIS END, SOME ATTENTION HAS BEEN FOCUSED ON CONFLICTING SIGNALS REGARDING GSA POLICY, BUT THE BELIEF SEEMS TO BE THAT GSA WILL SEEK DISPOSAL AUTHORITY FOR A SIZEABLE AMOUNT OF TIN EARLY IN 1977. THE SIZE OF THE DISPOSAL AUTHORITY SOUGHT COULD PROVE MORE IMPORTANT THAN ACTUAL DISPOSALS REALIZED. ANY FIGURE FORWARDED TO CONGRESS SIGNIFICANTLY UNDER LAST YEAR'S PROPOSED 28,000 TONS, WE THINK, WOULD RUN THE RISK OF SETTING OFF A NEW ROUND OF SPECULATIVE BUYING. RUMOURS GOING THE ROUNDS VARY, FROM THAT GSA WILL ASK FOR AUTHORITY FOR 15,000 TONS TO A HIGH OF 100,000 TONS. THE POLICY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 01091 04 OF 04 201853Z

QUESTION POSED HERE IS ONE OF MORE CLOSELY CO-ORDINATING DISPOSAL POLICY WITH OUR ITC AIMS. THIS SEEMS PARTICULARLY IMPORTANT UNDER PRESENT TIGHT MARKET CONDITIONS.

(D) GSA OVER THE LONG-TERM. IT WOULD BE CALMING TO THE MARKET TO HAVE THE POSSIBILITY OF EARLY RESUMPTION OF GSA SALES, BUT THE PROSPECT OF DRAWING DOWN STOCKS COMPLETELY, OR TOO FAST, DISTURBS PRODUCERS AND CONSUMERS ALIKE. THE THOUGHT OF GSA "DUMING TIN TO BREAK THE MARKET" IS PARTICULARLY DISTURBING TO BOLIVIA, BUT APPARENTLY LESS OF A CONCERN TO OTHER PRODUCERS. ON THE CONSUMER SIDE, EXHAUSTION OF GSA STOCKS IMPLIES A SCARCITY OF TIN AND THE POSSIBILITY OF CARTEL ACTION BY PRODUCERS; ALTHOUGH SUBSTITUTION AND RECYCLING WOULD CERTAINLY BE A POTENT BRAKE ON PRODUCERS.

(E) NEED FOR PRODUCTION. IN THE LAST FEW MONTHS, WE SEEM TO HAVE BEEN HUNG UP ON DETAILS AND SHORT-TERM MARKET CONSIDERATIONS TO THE POINT OF OBSCURING THE BASIC PROBLEM: GETTING MORE TIN PRODUCTION. THE PRICE RANGE CONFRONTATION HAS POKED AT THE PROBLEM WITHOUT ACTUALLY COMING TO GRIPS WITH IT. PRODUCERS ARGUE THAT A SUFFICIENTLY HIGH FLOOR PRICE WOULD BE BANKABLE: INVESTMENT BANKERS WOULD SEE THIS AS A FORM OF SECURITY AND WOULD PROVIDE FUNDS; EXPANSION AND INCREASED PRODUCTION WOULD FOLLOW. THE DATA, HOWEVER, DO NOT SUGGEST SUCH A DIRECT RELATIONSHIP BETWEEN FLOOR PRICES AND

OUTPUT. MORE IMPORTANT CONSTRAINTS PROBABLY HAVE BEEN
RESOURCE DEPLETION, COMPETITION FOR FUNDS BY OTHER
INVESTMENT OPPORTUNITIES AND GOVERNMENT POLICY,
PARTICULARLY PUNATIVE TAX POLICY. IN BRITAIN'S TINY
BUT BULLISH CORNISH MINING INDUSTRY, ENTREPRENEURS ARE
EXPANDING IN RESPONSE TO THEIR READING OF THE MARKET
OUTLOOK -- NOT THE FLOOR PRICE -- AND IN RESPONSE TO
GOVERNMENTAL FINANCIAL ENCOURAGEMENT. HOWEVER, PERHAPS
IN OTHER ENVIRONMENTS FLOOR PRICES HAVE BECOME AN
IMPORTANT FACTOR IN SECURING FINANCING. THE POLICY
ISSUE IS HOW TO GET PAST THE NEAR-TERM DIFFICULTIES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 LONDON 01091 04 OF 04 201853Z

RAISED BY BOLIVIA AND TO USE ALL THE TOOLS PROVIDED
BY THE ITC, AS WELL AS OTHERS AVAILABLE TO US, TO DEAL
WITH PRODUCTION CONSTRAINTS.

ARMSTRONG

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, COMMITTEES, MARKET SHARE REPORTS, MARKET SURVEYS, PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON01091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770021-1185
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770133/aaaabcwv.tel
Line Count: 570
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d4ec07d4-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LONDON 359, 77 STATE 10228
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3549307
Secure: OPEN
Status: NATIVE
Subject: TIN -- MARKET REVIEW AND OUTLOOK LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: EMIN, UK, ITC-1
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d4ec07d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009